

25X1

Approved For Release 2006/04/13 : CIA-RDP79-00927A010200010002-8

Approved For Release 2006/04/13 : CIA-RDP79-00927A010200010002-8

Secret



DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

India: Domestic Dilemma

Secret

№ 42

23 March 1973

No. 0362/73A

25X1

Approved For Release 2006/04/13 : CIA-RDP79-00927A010200010002-8

Approved For Release 2006/04/13 : CIA-RDP79-00927A010200010002-8

India

Domestic Dilemma

1 [Summary Prime Minister Gandhi is still in the
2 driver's seat, but her inability to lead India
out of the economic doldrums gives the nation
a sense of drift and encourages a feeling of
political malaise. The government's recent handling
of difficult domestic problems has aroused sharp
public criticism, which has so far focused on
bureaucratic incompetence rather than on Mrs.
Gandhi. The most pressing economic problems
arise from last year's sparse and erratic monsoon.
The entire nation is experiencing shortages
of food, water, and electric power, but extreme
hardship is confined to relatively small areas.
A good spring harvest and ample rain this summer
are vital if India is to avoid a major economic
crisis by the end of the year. In the midst
of rapidly rising prices and industrial stagnation,
the government's renewed pledge to end poverty
may only highlight its inability to do so.]

1 [On the political front, scattered but potentially
2 contagious cases of regional unrest could further
strain center-state relations. Problems with
students and labor also persist. The government
has been put on the defensive by an energetic
free press, a highly critical but weak political
opposition, and dissidents in the Ruling Congress
Party.]

SECRET

—Traditional folk tale

But there were, once, fateful years when spring failed to come to India. Long, long ago a wicked demon held sway over the whole world—which, of course, was India—and so perverted the seasons that they forgot to do their work; this harassed even the gods, because they were beset by the anguished prayers of men for cold weather or hot weather, rain, and above all, the absent spring's fertility.

—Indian novelist Kamala Markananda

Then, after the heat had endured for days and days and our hopes have shrivelled with the paddy—too late to do any good—then we saw the storm clouds gathering, and before long the rain came lashing down, making up in fury for the long drought and giving the grateful land as much as it could suck and more. But in us there was nothing left—no joy, no call for joy. It had come too late.



SECRET

~~SECRET~~

A Restless Nation

1 [Now in her eighth year as prime minister, Mrs. Gandhi enjoys great personal popularity and is not threatened by any credible rival. In Indian eyes, she fulfills the need for a strong and confident leader. Both the communist and non-communist oppositions are so limited in numbers and appeal as to be no real challenge. Yet, public dissatisfaction with the government's performance is more evident, and the Ruling Congress Party—which Mrs. Gandhi formed in 1969 by breaking from conservatives in the original Congress Party—has made little headway in implementing the populist goals proclaimed at its creation.]

1 [Today, there are rumblings that younger, leftist-oriented activists may generate a second split. They rallied under Mrs. Gandhi's campaign oratory in 1971 and 1972, but they now charge that the government has failed to implement promised socio-economic reforms. In some states, tension is building between conservative party regulars and members of the aggressive student and youth wings who want more voice in shaping policy—and whose defection to the opposition would tarnish the party's progressive image.]

1 [The highly charged slogan "garibi hatao" (remove poverty) helped win national and state elections, but it also heightened public expectations. The issue of economic development has thus become highly politicized. Today, with two thirds of the country affected by drought and industrial stagnation, the long-range political outlook is uncertain]

The Economy: Failures and Hopes

3 [The government's record and prospects are weakest in the economic sphere. New Delhi's economic policies are under heavy fire in the streets, in parliament, and in the press, although much of the problem stems from the costly war with Pakistan in 1971, providing temporary food and shelter for millions of Bengali refugees, and, finally, last year's inadequate monsoon. (There is an average of one poor monsoon every four years.)]

1 [New Delhi rejects accusations that five good crop years led to complacency and plays down the severity of the 1972 drought. The government claims food imports, the spring harvest, and summer rains will provide sufficient relief. Meanwhile, officials are pointing to the prospect of a brighter future, envisioned in the next five year plan (1974-79). Economic plans do not evoke the intense interest they did in Nehru's day, but they still provide a vehicle on which to pin hope in the midst of distress.]

3 [New Delhi has gone all out to portray the fifth plan as a war on poverty. It features a dual pledge to remove poverty and attain national self-reliance. Welfare measures include elementary education to age 14, extended public health facilities and rural electrification, home sites for the rural landless, more roads and wells, and improved conditions in urban slums. The government is trying to get the public involved by revitalizing the old system of village councils. The goal of self-reliance underscores India's determination to do without foreign aid after 1979, except for debt repayment, and to speed up development of the sluggish industrial sector.]

3 [Many are skeptical about the plan and its goals. Despite government claims, statistics indicate that fifth plan allocations will resemble those of the fourth plan, which emphasized economic growth and earmarked a relatively small proportion for "social justice." Pragmatists are still dominant among economic decision makers, and they contend that India is in no position to provide the benefits of a welfare state.]

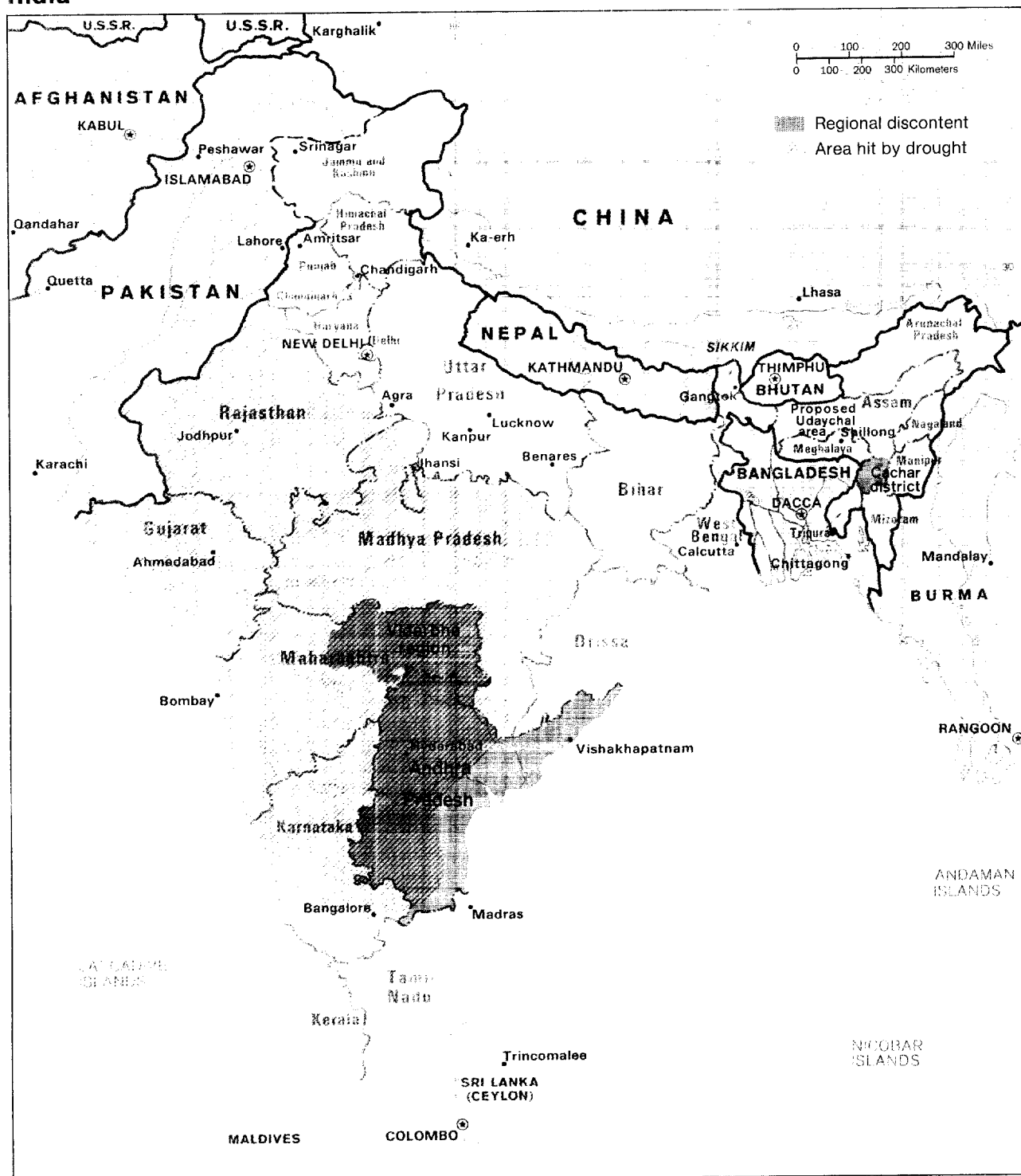
25X1

6 [Competition between priorities has always complicated India's planning process.]

Her few direct ventures into the economic sphere were widely publicized, but economically they are of marginal importance. Attacks on the wealthy and the private sector are basic features of her speeches, and she increasingly warns against unspecified "dangerous

~~SECRET~~

India



554243 3-73

SECRET

forces" within and outside the country. Mrs. Gandhi appears convinced that these "vested interests" are actively seeking to impede India's economic development.]

2. [The public probably finds little solace in rhetoric from New Delhi. The masses are protesting against inflation, which in a year has boosted food prices almost 20 percent. Prices may continue to climb if the imminent wheat harvest falls very short of expectation, or if the states bungle their take-over of the wholesale trade in food grains, which begins with wheat this month and will include rice in November. Responsible state officials acknowledge that they lack the facilities and expertise to handle the tremendous undertaking. Waste in the storage and transport of grain, [redacted]

[redacted] could raise prices further rather than provide stabilization or curb speculative buying and hoarding.]

1. [At the same time, widespread enthusiasm for land reform has largely disappeared with the realization that Mrs. Gandhi—even with her concern over "vested interests"—has chosen not to alienate the powerful farm lobby that fills party coffers and delivers the rural vote. Last year, New Delhi finally endorsed a moderate land redistribution scheme that the states are to implement by the end of the year, but many large landowners have found ways to circumvent the new state laws.] Significant land reform and the imposition of a tax on agricultural income could be achieved, if Mrs. Gandhi were willing to use her large parliamentary majority to amend the constitution and transfer these subjects from state to federal jurisdiction.]

1. [Labor unrest is another grim reflection of the state of the economy. Industrial workers as well as government employees commonly view strikes as the only effective means of getting pay raises and allowances to offset rising prices. The unions are virtual wings of national political parties, a fact that partially accounts for the intensity of intra- and inter-union rivalry.]

7. [Mrs. Gandhi's appeals for peaceful cooperation between labor and management in the



Prime Minister Gandhi

.....on self reliance: "I think that we can do without most outside things. If there is not enough grain we should try to get some, but we should also persuade our people to use tapioca or potatoes. But this habit of adaptation is not there. I get so many letters saying 'maize does not agree with us and we get pains.' Rice-eating people reject wheat and wheat-eating people reject rice. We have to get out of that. The whole thing really ties up with having a strong sense of national purpose."

.....on her role: "I will go when I think I have completed my job."

.....on the future: "Our problems are gigantic. No one in the world has faced the like of them. It is, therefore, necessary to see how we can cooperate rather than compete with one another."

.....on government programs: "We are seriously trying to coordinate measures, but everybody tries to politicize the situation. We also have the most peculiar attitude you can encounter anywhere in the world. Elsewhere people want to say 'I am doing better than you. But in this country we want to say 'No, we are worse, we are more backward.' "

SECRET

SECRET

Andhra Separatist Leader Subba Reddy (l)



Striking Teachers in New Delhi



Public Relief Jobs in Drought Area



SECRET

~~SECRET~~

7 national interest have had little effect. Nevertheless, she recently reaffirmed that a proposed three-year moratorium on strikes and lockouts would not be adopted. Her tendency to side with labor has, in a number of instances, conflicted with a proclaimed interest in modernizing the industrial sector. Moreover, the cost-of-living increment recently granted federal employees fuels the high rate of inflation and generates similar demands from state employees.]

7 [In the wake of mounting unemployment—aggravated by layoffs resulting from power shortages—the government has promised to create half a million jobs for the educated unemployed this year and annually throughout the fifth plan. It is already providing temporary work for some 4.2 million people in severely hit drought areas. Until industrial production picks up, however, the job market looks bleak.]

Unhappy States

1 [While one arm of government grapples with economics, the other is trying to quell political unrest in various states. All winter, the often bloody struggle to split the state of Andhra Pradesh has been front-page copy and, next to prices, is the prime topic in parliament. New Delhi is reluctant to give in to the separatists for fear that dissatisfied elements in other states will also turn to violence.]

1 [State boundaries were redrawn on essentially linguistic lines in 1956, but the scheme left many ethnic and regional anomalies. Prime Minister Gandhi has rejected opposition demands for a second major reorganization of states and opposes continuing fragmentation. The 14 states formed in 1956 have already been increased to 21. A strong case can be advanced for creating smaller, more manageable units, but New Delhi fears this would reinforce regional differences and weaken the central government. Additional states could also provide new bases for ambitious politicians who might ultimately threaten the domination of the Ruling Congress Party.]

1 [Nonetheless, creation of two states out of the Telugu-speaking state of Andhra Pradesh

seems inevitable. Despite their bitterness toward each other, the Andhrans and the Telengans have joined in bringing pressure on New Delhi. The uneasy relationship between inhabitants of the two regions erupted in 1969 and again last year over employment rules that benefit the poorer Telengana region. Amid growing violence in January, New Delhi took over administration of the state. Reports indicate widespread food and water shortages that are difficult to ease because of disrupted rail service and paralysis in the bureaucracy. The separatists are determined to hold out for their objective, and Mrs. Gandhi probably is considering a face-saving device to accompany assent.]

1 [The Andhra situation is not unique. For years, the tribal people of Vidarbha, a region in the Marathi-speaking state of Maharashtra, have complained of economic exploitation by the Maratha caste that dominates the state. Their bid for separatism was regarded as legitimate 20 years ago by the State Reorganization Commission that recommended statehood.]

9 [Other regions would settle for greater autonomy. The desire for a weak central government is most intense in the southern state of Tamil Nadu. The ruling Dravida Munnetra Kazhagan party has backed away from its earlier demand for an independent Tamil-speaking state—Dravidistan—but continues to champion expanded states rights. The state has been singularly successful in evading Mrs. Gandhi's control and is likely to remain the most intractable member of the union.]

10 [In the extreme northeast, ethnic discontent supplies unending problems. The state of Assam has been sectioned until it is no more than a rump of its former self, but minority problems still exist. The Bengali-speaking inhabitants of Cachar District are the most restive today. When the state government attempted to eliminate Bengali as a language of instruction in the schools last year, the Bengalis rebelled. The proposal was withdrawn, but Bengali resentment of the dominant Assamese-speaking population is by no means played out. With time, the tribal groups in central Assam are also likely to make forceful demands

~~SECRET~~

SECRET

for their own autonomous territory—Uda-yachal—along the northern bank of the Brahma-putra River which flows through the middle of the state.]

Student Unrest

Students are in the front lines of anti-government agitation. In part, this reflects the fact that they are highly politicized and easily manipulated by politicians. In fact, candidates for student offices usually run as members of national political parties. Students are in no hurry to graduate because of scarce job opportunities, and have many idle hours to devote to non-academic causes.]

The degree of student and faculty unrest today is revealed in the number of colleges that are closed, on strike, or in turmoil. Falling academic standards are a result of the rapid expansion in the university system that came with increasing public demand. The recent upheaval at Delhi University—for years one of the most selective and least troubled universities in India—has led Mrs. Gandhi to take a new interest in the student problem. The situation is so closely related to economic conditions, however, that early improvement is unlikely.]

Outlook

Mrs. Gandhi's recent words and actions indicate three priority objectives:

- to upgrade living conditions at the poorest levels of Indian society;
- to show the world that India has the wherewithal for economic self-reliance;
- and to retain her tight grip on Indian politics.

With her power consolidated at both national and state levels and parliamentary elections not required until 1976, she may now delve more seriously into the troubled economy. However, economic plans for the rest of the decade—just announced—contain little to suggest that she will achieve either her welfare goals or a more rapid rate of economic growth. New Delhi has renewed its commitment to large defense expenditures and inhibiting controls over industry. Its determina-

tion to diminish, and ultimately eliminate, the role of private foreign investment and foreign aid is inconsistent with the aim of rapid economic modernization and the acquisition of development resources at the lowest available cost. The economic outlook is further clouded by the fact that more than half of India's national income derives from agriculture and, despite technological advances, agricultural output remains highly dependent on rainfall.]

Mrs. Gandhi is likely to postpone controversial political decisions until mid-summer, when the strength of the monsoon is known. Meanwhile, state leaders are being called to New Delhi for high-level talks—a means of buying time and keeping options open. In a bid for the continued loyalty of those demanding reform in the Ruling Congress Party, New Delhi has promised structural changes. So far, however, few party officials seem willing to come to grips with the basic and difficult economic problems that underlie much of the public discontent.

25X1



SECRET

Approved For Release 2006/04/13 : CIA-RDP79-00927A010200010002-8
Secret

Secret

Approved For Release 2006/04/13 : CIA-RDP79-00927A010200010002-8